

## **Property Assessment & Taxation Acts of the 83<sup>rd</sup> General Assembly**

**Act 410** - HB 1120 by Rep. D. Elliott.

Defined all mobile and manufactured homes as real estate for property tax purposes. Previous law probably did the same, but Act 410 is clearer.

**Act 505** - HB 1554 by Rep. Milum.

Simplifies the selection of county equalization boards. Removes the requirement that board members be picked by ruling bodies of the taxing units. The future picks will be made by representatives of the ruling bodies.

**Act 361** - SB 199 by Sen. Wilkinson.

Surviving spouses of disabled veterans receive property tax exemptions on their personal property and homesteads. Under previous law, if the surviving spouse remarried, he or she would lose the exemptions even if he or she survived the second spouse. Under this Act the surviving spouse would still lose the exemptions should he or she remarry, but should the surviving spouse survive the second spouse, he or she would regain the exemptions lost due to remarriage.

**Act 590** - SB 365 by Sen. Beebe.

Repeals an antiquated law concerning contracting reappraisal services. It allows the county assessor to enter into contracts without approval of all the affected taxing units. The Assessment Coordination Department still maintains oversight and approval responsibilities on contracts.

**Act 901** - HB 2202 by Rep. R. Smith.

Allows the county court to issue a court order correcting errors in millage rate levies. Previously, only the circuit or chancery courts could issue such an order.

**Act 979** - HB 2206 by Rep. Boyd.

Relieves collectors from the responsibility to inform property owners of property tax refund provided by the state. The refund will no longer exist after 2001.

**Act 1058** - HB 1053 by Rep. Milligan

Alters reappraisal cycles. Currently, counties are required to reappraise every three years. Under Act 1058 some counties will reappraise every three years and others reappraise every five years. What determines whether a county reappraises over three years or five years is its growth between reappraisals. If market value growth exceeds 15% in a three year reappraisal, the county will remain on a three year cycle. If growth is less than 15%, the county will go on a five year cycle. If a county is on a five year cycle the growth test will be 25% and not 15%.

All counties currently scheduled to complete reappraisal on a three year cycle will do so. Counties completing reappraisal in 2002 will be the first to have their growth tested.

**Act 1131** - HB 1230 by Rep. Milum.

Changes the assessment to sales ratio study performed by the Assessment Coordination Department. Assessment to sales ratio studies, commonly referred to as sales ratio studies, are the final test the ACD performs in its audit of county assessments. The ACD performs tests to determine the average assessment in a county and to determine how equitable assessment are in a county.

Act 1131 changed the timing of the sales ratio study; they will only be performed when a county completes

reappraisal or if the ACD is suspicious that unwarranted manipulation of the assessment base is occurring. It also altered the measures used by the ACD by adopting the International Association of Assessing Officers Standard on Sales Ratio Studies.

Act 1131 also made changes in two other areas of the audit. 1) Beginning in 2002 and each year thereafter, counties are required to electronically transfer sales data information to the ACD no later than January 31 each year; and 2) taxing units will not be financially penalized for the county failing an audit, however, the county must correct the deficiency under the guidance of the ACD or then risk financial penalties.

**Act 1135** - HB 2104 by Rep. Mack.

Clarifies the payment of property taxes in highway condemnation matters. Establishes an escrow account to pay taxes due.

**Act 1212** - HB 2098 by Joint Budget

Provides funding for school districts that suffer revenue losses resulting from the passage of Amendment 79. Amendment 79 forced the reduction of personal property millage rates in taxing units where real and personal rates were different. A few school districts lose substantial revenues as a result.

**Act 1393** - HB 2566 by Rep. Milum

Provides that an Appraisal Manager must meet the ACD requirements and be at least a Level 4 with four years experience. This does not change the current circumstances. The Act further provides that Appraisal Managers working for county government will receive a \$750 bonus from the state. Currently, Appraisal Managers receive a \$500 bonus.

**ACT 1544** - HB 1664 by House Revenue & Tax

The key implementing legislation for Amendment 79. It addresses two areas of concern about the Amendment: What constitutes a homestead? and, How will the state reimbursements of local governments be managed?

What constitutes a homestead?

A dwelling and house lot. There is no size limitation but land assessed as agricultural, pasture or timber is not eligible.

The owner of record or the mortgagee using the dwelling as a principal place of residence is the eligible person. Also,

Dwellings owned by revokable trusts used as the principal place of residence of the person who formed the trust are homesteads. No other trusts are mentioned.

Dwellings used as a principal place of residence by a buyer under a recorded contract to purchase are homesteads.

Dwellings used as a principal place of residence by a person holding a life estate on the property are homesteads.

No one may claim more than one homestead, and disabled veterans and surviving spouses and minor children, who are otherwise exempt from property taxes, may not claim the \$300 credit.

How will state reimbursement to local governments be Managed?

Counties will give the credit to eligible individuals, and the state will reimburse the counties and other taxing units for the total credits given.

Property owners must register proof of eligibility with the county assessor. Property owners may register proof any time up to October 31 in the tax collection year.

County collectors will report total credits to the state by March 31 of the tax collection year but may send in amended reports on June 15 and November 15.

The state will distribute the reimbursement for credits to counties on a monthly basis. Each county will receive a proportionate share of the statewide total credits from the "Property Tax Relief Fund". The proportionate share each county receives may be changed after amended reports are received from the counties.

The county treasurer will be the official receiving the reimbursement money from the state, and in turn be the person distributing the moneys to the schools, cities and county government.

#### **ACT 1567** - HB 2413 by Rep. Jackson

An Act reforming county equalization boards. Equalization boards will use the same standards the courts do to determine the need to change a property assessment. It further requires equalization boards to document reasons for making changes and to review values of similar properties when changing the value of any single property.

It prohibits equalization boards from materially changing the records of the county assessors' offices but only allows them to direct changes - also a practice in keeping with court actions.

It revives language in the "Property Tax Payer Bill of Rights" that was inadvertently removed in the 82<sup>nd</sup> General Assembly.

#### **ACT 1598** - HB 2590 by Rep. Verkamp

Act 1598 is a companion bill to Act 1544. It speaks to the issue of what happens to the property tax credit when a homestead is sold.

To ease administration at the county level, Act 1598 states that the owner receiving the tax bill will be receiving the property tax credit. Also, if a homestead is eligible anytime during the assessment year, it is deemed to be eligible for the full year. As a result county government will not be involved in prorating taxes due to ownership or eligibility changes.

Proration of taxes, if done, will be a matter between the buyer and seller of the property. . If there is a change in use of the property because of being sold, the buyer must notify the assessor of the change in use.

#### **ACT** - SB 570 by Sen. P. Malone

A common method employed by cities and counties to attract industry is to build and equip manufacturing facilities using the revenue bonds, commonly referred to as Act 9 bonds. The users of the facilities then lease or buy the facilities and equipment on contract to purchase. The cities or counties use the proceeds from the lease or contract to pay off the bonds. A 1960's Arkansas Supreme Court decision exempts facilities such as these from property taxes.

Manufacturers will often make in-lieu payments of property taxes even though they are not required to pay any at all. Under this Act, manufacturers are required to make in-lieu of tax payments at least equivalent to 35% of the property taxes they would pay if they were not exempt. The 35% requirement is only for those Act 9 bond projects established between July 1, 2001 and July 1, 2003. During that time frame the House and Senate interim committees on education, insurance and commerce, and revenue and taxation are to study the issue.

**ACT** - SB823 by Sen. Bisbee

Act will cause the millage roll back provisions of Amendments 59 to Arkansas' Constitution work harmoniously with the assessment increase limitation provisions of Amendment 79 to Arkansas' Constitution. The Act requires that assessment increases be tested against previous year revenues to determine if a millage rate roll back should occur.

**HCR 1019** by Rep. Stovall

Joint Performance Review Committee interim study of the ACD operations.

**HCR 1026** by Rep. Hickinbotham

An interim study of the interrelationships among Amendment 59, Amendment 79 and Act 1185 of 1999.

**HCR 1032** by Rep. Teague

An interim study of all aspects of the property tax system.